



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

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## Grassley Targets Sellers, Promoters of Illicit Tax Shelters

WASHINGTON -- Sen. Chuck Grassley, chairman of the Committee on Finance, today took aim at the tax shelter promoters and sellers who exploit loopholes that cost taxpayers billions of dollars a year in lost revenue. Grassley convened a hearing on whether the illicit tax shelter schemes are still thriving even in light of increased government enforcement and his imminent legislation to flush them out and shut them down. The hearing witnesses explained the innovation and persistence that promoters use to create new schemes.

"The promoters of illicit tax shelters are infinitely creative," Grassley said. "So far, Congress hasn't written the laws fast enough to shut them down. We need to move faster than they do. That's why we need a mandatory disclosure regime like my bipartisan bill imposes. It's not just a matter of giving the IRS agents more shovels. We've also got to help show them where to dig."

Grassley's bipartisan legislation would ensure that the Internal Revenue Service has more information about questionable transactions than ever before so it can distinguish between legal tax transactions and illicit tax shelters. The Finance Committee and the full Senate have passed Grassley's bill several times. Grassley said he hopes the government agencies that need the legislation for increased enforcement will help push Congress to give the bill final passage.

"The disclosure has the potential to unravel a whole yarn ball of conspiracy," Grassley said. "It would get at the accounting and law firms that peddle these schemes like the snake oil salesmen of 100 years ago. I intend to keep the pressure on for final passage of this bill."

Grassley's hearing also exposed a form of tax shelter that is getting an increased amount of attention. A former leasing industry executive, who testified with his identity hidden out of fear of retaliation, explained how tax shelter architects use the leasing of subway systems, bridges, and other public infrastructure items in the United States and Europe to shelter billions of dollars from U.S. taxes. Grassley's international tax reform and manufacturing tax relief legislation, which overwhelmingly passed the Finance Committee on Oct. 1, would close this loophole.

"It seems nothing is safe from the illicit tax shelter promoter," Grassley said. "Even our bridges, subways, and water systems are all ripe for the picking. It's hard to believe that city assets are helping tax shelter promoters. Roads and bridges built with tax dollars are leased out to shelter

promoters so major corporations can get a phony tax deduction. Even the subway system of Washington, D.C., our nation's capital, has been leased as part of a shelter scheme. We need to shut down this type of tax shelter and all others in the process."

The text of Grassley's opening statement at today's hearing follows.

Opening Statement of Sen. Chuck Grassley  
Hearing, "Tax Shelters: Who's Buying, Who's Selling, and What's the Government Doing  
About It?"  
Tuesday, Oct. 21, 2003

The Finance Committee meets today to provide an update on the issue of tax shelters. My guess is the first tax shelter was created before the ink was dry on the first tax code. It's a continual and constant effort to fight these shelters. The administration has taken good steps to address the latest wave of shelters, committing additional resources and looking to using those resources more effectively. However, it's clear that we have a long road ahead of us and we need to give the administration additional power and authority to do the job.

The Finance Committee and the Senate have answered the bell. Several times already we have passed bipartisan legislation that will provide the executive branch the tools needed to help address the current wave of tax shelters. There is hardly a bill passed by this committee that hasn't contained anti-shelters legislation. I know that the administration supports the core parts of the anti-shelter legislation. I would encourage the administration to join us in pressing hard to ensure that the Congress passes this much-needed legislation quickly.

The focus of this hearing is on the current situation in tax shelters. We are here today to consider and to hear accounts of where we are in the battle against abusive tax shelters. The hearing today will revisit Enron but will also hear similar, equally troubling accounts. Particularly gripping will be the inside account of the abuses in the leasing industry. This hearing will show that Enron wasn't an exception and that Enron didn't act alone. Enron wasn't the lonely Maytag repairman when it comes to creating tax shelters and buying tax shelters. Enron had a lot of help from investment bankers, law firms and accounting firms. And these tax shelter hucksters sold tax shelters not only to Enron, but to other companies as well -- and they continue to do so today.

I know the administration recognizes there is work to be done and has begun the tough job of putting these hucksters out of work. However, my hope is that the Finance Committee's continued oversight will focus the government's work and ensure this remains a top priority. Finally, I say to the hucksters, it's time to find an honest living. The Finance Committee on a bipartisan basis remains committed to addressing the issue of tax shelters and particularly promoters. We'll continue to press in this area and to ensure that the government continues to realize results in putting the hucksters out of business.